

September 2014

## UK Stewardship Code: Compliance statement

**Kames Capital is an active manager of equities and fixed income investments. As such, we believe it is our responsibility to encourage the companies in which we invest to maximise investment returns for our clients through good governance practices.**

This annual statement summarises how we comply with the seven Principles of the UK Stewardship Code. These disclosures should help our clients and the companies in which we invest to understand our approach to engagement and fulfilling our fiduciary responsibilities.

**1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities**

- We disclose our Responsible Investment policy and voting activity on our website at [www.kamescapital.com/responsible](http://www.kamescapital.com/responsible).
- Within this statement we outline each of the UK Stewardship Code Principles and the activities we undertake to meet them.
- We strive to incorporate material non-financial information into our investment processes.
- Kames Capital's dedicated corporate governance team is responsible for our governance and engagement activities.
- We review all governance issues on a case-by-case basis in a structured way.
- We utilise specialist proxy voting and advisory services to help us fulfil our responsibilities.

**2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**

- Our Responsible Investment policy recognises that our stewardship activities may give rise to conflicts of interest.
- We put our clients' interests first. When conflicts arise we identify where our fiduciary responsibilities lie and act accordingly.
- As required by the FCA we have a documented process for the management of conflicts of interest.
- Kames Capital does not vote the shares that it holds in the listed entity AEGON NV.
- Where we have lent securities, in accordance with best practice, we recall those securities to enable proxy voting.

**3. Institutional investors should monitor their investee companies.**

- We systematically monitor the companies that we hold in our funds against established best practice for both corporate governance and broader environmental and social issues.
- We meet regularly with the executive management teams of the companies in which we invest. We also meet with company chairmen, non-executive directors and company specialists to discuss governance matters.
- We are a member of a number of organisations and initiatives which enable us to better understand the environmental, social and governance risks that companies face.
- On occasion, where it is in the best interests of our clients and subject to our agreement, we are willing to be made inside for short periods of time. For corporate transactions, the most appropriate point of contact for companies will typically be one of our investment managers. For corporate governance matters, our corporate governance team will be the most appropriate contact point. In the event that we are made inside, our Regulatory & Operational Risk team are notified immediately.

<p><b>4. Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.</b></p>	<ul style="list-style-type: none"> <li>▪ If we have concerns about a specific issue, we enter into an active dialogue with the company, either directly or collectively with other shareholders.</li> <li>▪ If, following engagement, we still have concerns, then we escalate our activities to include:             <ul style="list-style-type: none"> <li>– Additional meetings with executive management;</li> <li>– Meeting non-executive boardmembers, including the Chairman and/or senior independent director;</li> <li>– Expressing concerns through the company’s advisors;</li> <li>– Voting against the company at its AGM or EGM (when this occurs, we explain our reasons to the company); and</li> <li>– Reducing or selling our shareholding.</li> </ul> </li> </ul>
<p><b>5. Institutional investors should be willing to act collectively with other investors where appropriate.</b></p>	<ul style="list-style-type: none"> <li>▪ We participate in collaborative engagement activities when it is in the interests of our clients.</li> <li>▪ Collaborative engagement can be more appropriate than acting alone. For example:             <ul style="list-style-type: none"> <li>– During times of significant corporate or wider economic stress;</li> <li>– When the risks threaten the company’s ability to continue;</li> <li>– If our shareholding is insufficient to exert influence alone.</li> <li>– Kames Capital is a member of a number of organisations that enable collective investor engagement.</li> </ul> </li> </ul>
<p><b>6. Institutional investors should have a clear policy on voting and disclosure of voting activity.</b></p>	<ul style="list-style-type: none"> <li>▪ We aim to be transparent when reporting on our stewardship activities. We therefore disclose our detailed voting policy and details of our voting activity on the Kames Capital website.</li> <li>▪ We expect investee companies to comply with regional best practice. Companies that do not should provide a well-reasoned explanation.</li> <li>▪ We use a number of voting advisory services, however each resolution is considered on a case-by-case basis by our corporate governance team, with input from investment managers.</li> <li>▪ When we have a voting-related concern, we contact the company ahead of the meeting to discuss.</li> <li>▪ We retain records of all our voting and other stewardship related activity.</li> <li>▪ We disclose details of our voting activity on our website at <a href="http://www.kamescapital.com/responsible">www.kamescapital.com/responsible</a>.</li> </ul>
<p><b>7. Institutional investors should report periodically on their stewardship and voting activities.</b></p>	<ul style="list-style-type: none"> <li>▪ We disclose our detailed voting policy and details of our voting activity on our website.</li> <li>▪ We publicly disclose details of our engagement activity bi-annually.</li> <li>▪ Kames Capital is a signatory to the UN Principles for Responsible Investment (UNPRI). As part of this initiative, we disclose annually a statement outlining our progress against the six UNPRI Principles.</li> <li>▪ Our engagement &amp; voting processes are audited annually as part of our responsibilities under the review of our internal controls (AAF 0106).</li> </ul>

**Contact details**



For more information on our approach to corporate governance and responsible investing, please contact Ryan Smith, Head of Corporate Governance and SRI, or speak with your usual Kames Capital representative. Alternatively, visit our website at [www.kamescapital.com/responsible](http://www.kamescapital.com/responsible).

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Kames Capital is an AEGON Asset Management company and includes Kames Capital plc (Company Number SC113505) and Kames Capital Management Limited (Company Number SC212159). Both are registered in Scotland and have their registered office at Kames House, 3 Lochside Crescent, Edinburgh, EH12 9SA. Kames Capital plc is authorised and regulated by the Financial Conduct Authority (FCA reference no: 144267). Kames Capital plc provides segregated and retail funds and is the Authorised Corporate Director of Kames Capital ICVC, an Open Ended Investment Company. Kames Capital Management Limited provides investment management services to AEGON, which provides pooled funds, life and pension contracts. Kames Capital Management Limited is an appointed representative of Scottish Equitable plc (Company Number SC144517), an AEGON company, whose registered office is 1 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SE (FCA reference no: 165548).